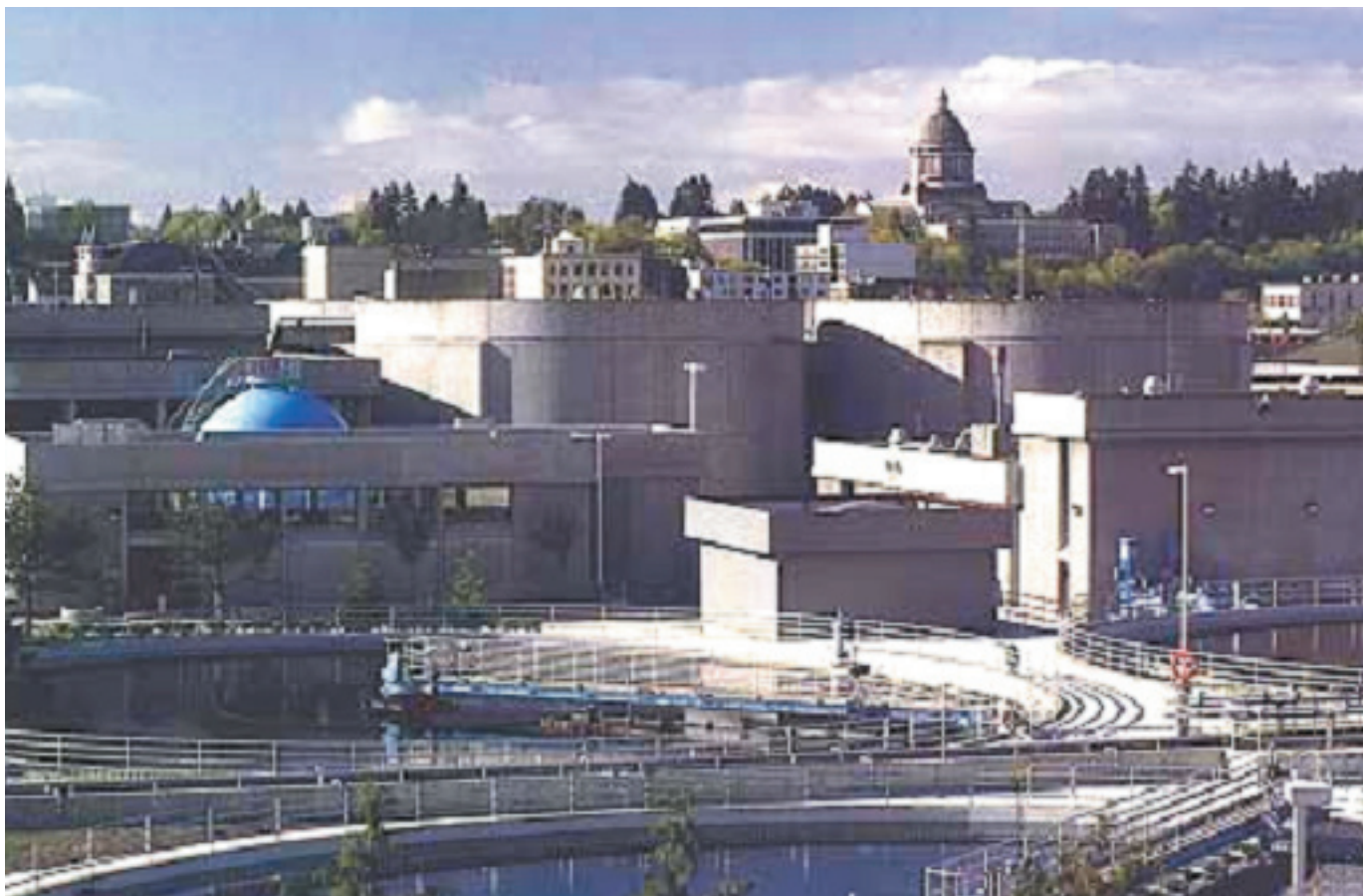


*Washington State*

# Public Works Board

*Financing Washington's Future*



Public Works Board  
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November 16, 2006



# The Public Works Board - Who We Are

In 1985, the Washington State Legislature created the Public Works Assistance Account (PWAA), commonly known as the Public Works Trust Fund (PWTF). It commissioned the Washington State Public Works Board to administer the account and to use it to finance critical local government public works projects.

The Board consists of 13 Governor-appointed members from stakeholder groups, with representation as follows:

- Three representatives selected from the Washington State Association of Counties (WSAC)
- Three representatives selected from the Association of Washington Cities (AWC)
- Two representatives selected from the Washington State Association of Sewer & Water Districts
- One representative selected from the Public Utility Districts Association, and
- Four representatives from the general public, including the Board Chair

The Public Works Assistance Account was designed to be sustainable for generations into the future.

For 22 years, the Board has diligently pursued its legislative directives. It has built the fund from an initial \$34.6 million to \$289 million that the Legislature appropriated from the fund for projects in the current biennium. The Board has invested over \$2 billion in communities throughout the state, with **no defaults**.

This year the Board joined the very first loan recipients in celebrating their final loan payments of the first set of PWTF loans executed in 1986.

## Vision:

*"The Washington State Public Works Board stewards a nationally recognized infrastructure funding program that is a model for progressive, sustainable, and affordable funding strategies meeting public health, safety, environmental, economic development and essential needs of Washington communities."*

## Core Values:

- Stewardship
- Advocacy
- Affordability
- Responsiveness
- Accountability

## Loan Payoff Celebration



Pictured from left to right, Pete Butkus (first Board Executive Director), Senator Karen Fraser, Greg Cuoio, Lacey City Manager, Virgil Clarkson, Lacey Mayor, and Diana Gale, PhD., Public Works Board Chair

# What We Do and How We Help

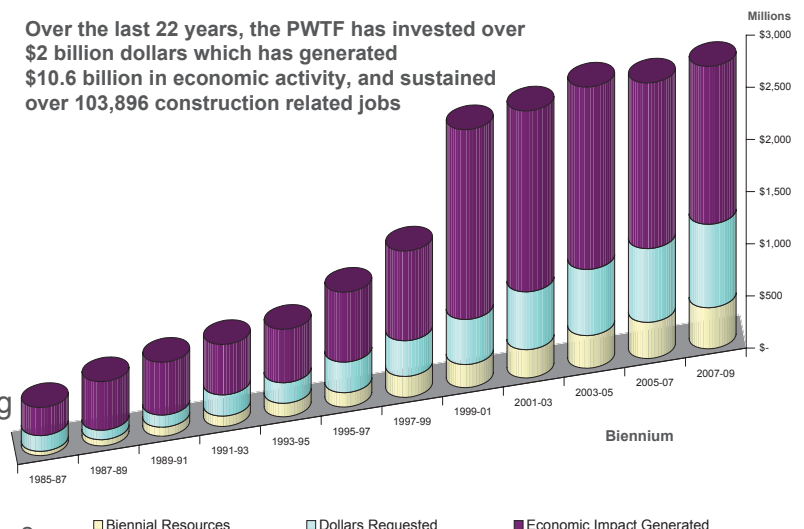
**1 - Provide Coordination, Financial and Technical Assistance to Washington Communities**

**2 - Manage and Grow the Public Works Assistance Account (PWAA) by:**

- Investing resources appropriated by the Legislature
- Leveraging other federal, state, and local resources
- Providing match funds for federal Drinking Water State Revolving Fund program
- Minimizing administrative costs

## Investments and Economic Impact

Over the last 22 years, the PWTF has invested over \$2 billion dollars which has generated \$10.6 billion in economic activity, and sustained over 103,896 construction related jobs



# What We Do and How We Help

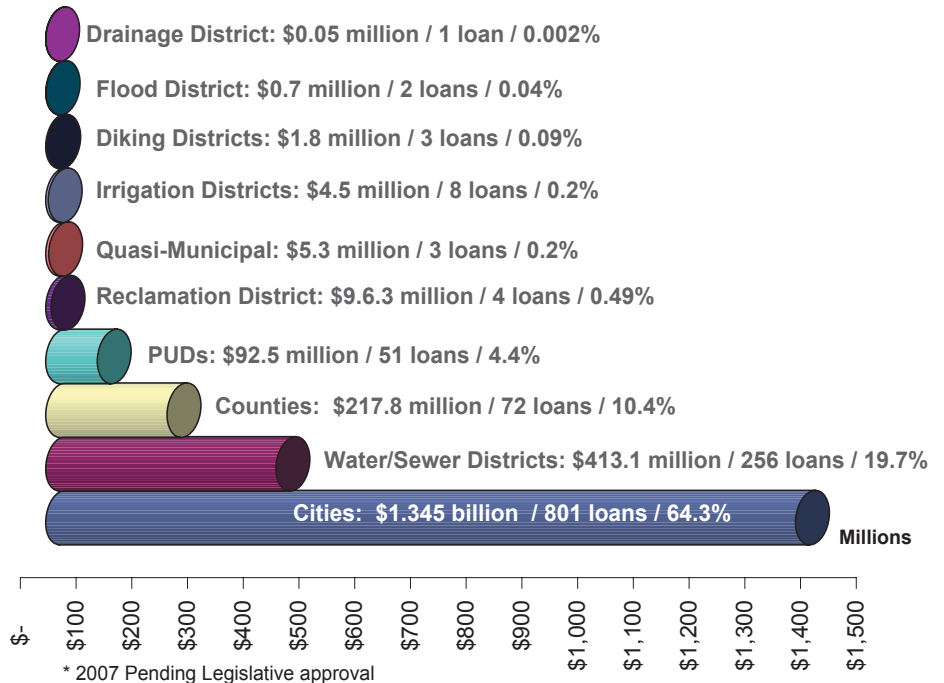
## 3 - Provide a stable, dependable source of financing for critical infrastructure projects for:

- Counties
- Cities/Towns
- Special Purpose Districts
- Quasi-municipal

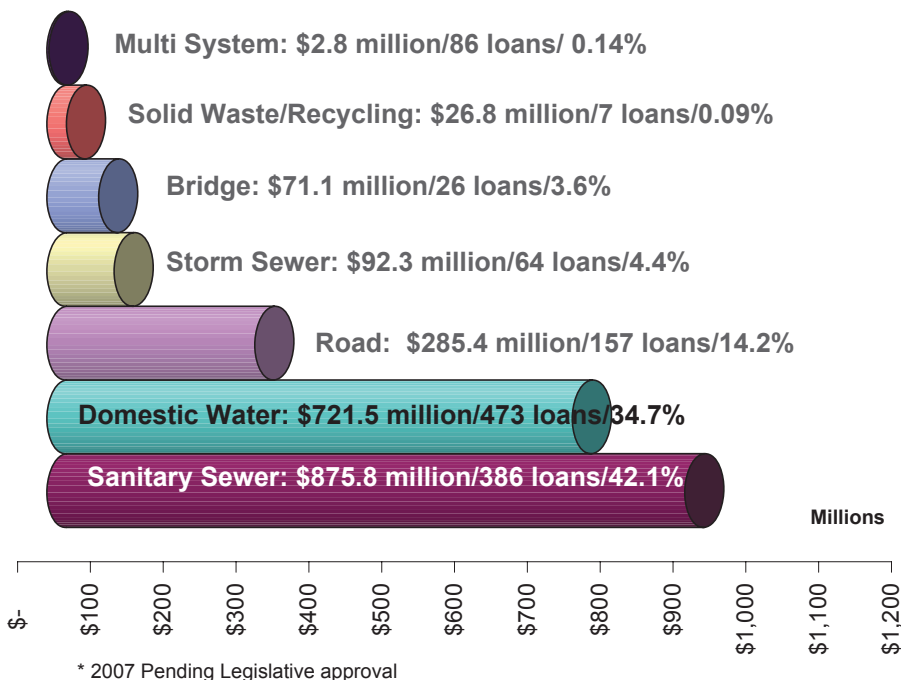
## 4 - Provide a stable, dependable source of financing for local governments to respond to priorities for funding:

- Public Health and safety and environmental issues
- Failing or antiquated systems
- Emergency situations
- Regulatory compliance
- Economic Development

PWTF Investments By Jurisdiction (1986-2007\*)



PWTF Investments By System Type (1986-2007\*)



## 5 - Provide low-cost financial assistance for:

- Planning projects
- Pre-construction work to prepare projects for construction
- Construction projects (both planned and emergency)

## 6 - Reduce the financial impacts of infrastructure projects on citizens by:

- Providing below market rates
- Avoiding bond fees and charges
- Minimizing local administrative costs

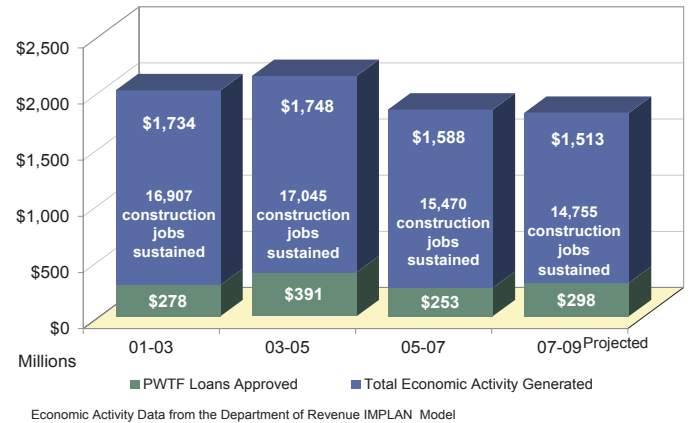


# Challenges and Competing Priorities

## Basic Infrastructure is Foundation for Economic Vitality

Basic infrastructure is the foundation for any community's economic development plan. Growth and economic development require infrastructure to occur. Although the PWTF was not originally designed to solely be an economic development program, it ensures economic retention and creates the foundation and opportunity for economic and community development.

**Public Works Trust Fund Construction Loans and Resulting Economic Activity**  
(Every \$1 PWTF Invests = \$3.60 in Generated Economic Activity)



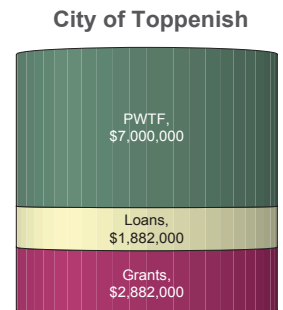
## Partners in Financing Complex Infrastructure Projects

Today's state and federal regulations and requirements and the ever increasing cost of materials have placed an enormous burden on local governments and in turn the rate payers. The PWTF is just one in a group of state and federal partners that provide infrastructure financing to local governments to meet those requirements. More and more, jurisdictions need to package projects with multiple funding sources because project costs are so high.

Below are three examples of local governments needing to package projects. All three projects are on this year's recommended Public Works Trust Fund loan list. In addition to the complexity and cost of projects, jurisdictions are also faced with the dwindling resources available to them. They must compete with other jurisdictions with multiple priorities.

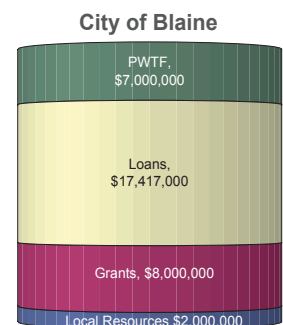
### City of Toppenish

In order to comply with the most recent NPDES permit, improvements must be made to the City's WWTF. The City's NPDES has an interim ammonia limit of 11mg/L daily maximum, and final limits of 1.23mg/L average monthly, and 2.04 mg/L daily maximum. In June 2005 the EPA revised the permit to include an interim ammonia limit and raised it from 11mg/L to 21.6 mg/L. The new limits must be met by May 2008. The existing facility is unable to treat ammonia to the final limits in the NPDES permit. The project will construct a single activated sludge process to replace the existing wastewater treatment facility, including the installation of ultraviolet disinfection channels to replace chlorine gas. (PWTF=\$7,000,000, other funds =\$4,764,000)



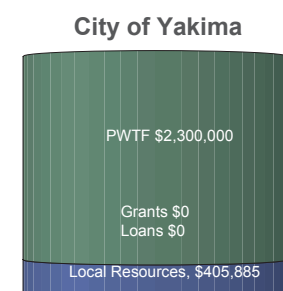
### City of Blaine

The City has experienced severe fiscal distress due to this project. While constructing a treatment plant, tribal remains were found and improperly handled resulting in lawsuits and tribal settlement, which stopped all construction and resulted in direct losses to the city of over 2.6 million. To finance the relocation of the plant, the City has imposed more than 40% increase in monthly WW user charges, and nearly doubled the system development charges. They anticipate increasing WW rates an additional 60% by 2009. This project will construct a new wastewater treatment plant that will double the treatment capacity of the existing plant and serve the projected demand for the next twenty plus years. (PWTF = \$7,000,000, other funds = \$27,417,000)



### City of Yakima

Project is in response to a 2005 incident where a small leak began releasing chlorine within the confinement of a building. City received a letter from DOE in 2005 confirming violation of NPDES chlorine limit. Possible union issues regarding the hauling of chlorine gas-vendor have violations from EPA regarding risk management program. Project will bring the City into compliance with their NPDES permit by eliminating onsite chlorine gas and sulfur dioxide storage and handling and related public health and safety issues, it will also protect the Yakima River as no further chemical residuals will be discharged. (PWTF = 2,300,000 , other funds = \$405,885)



# Challenges and Competing Priorities

## The Health of the Puget Sound

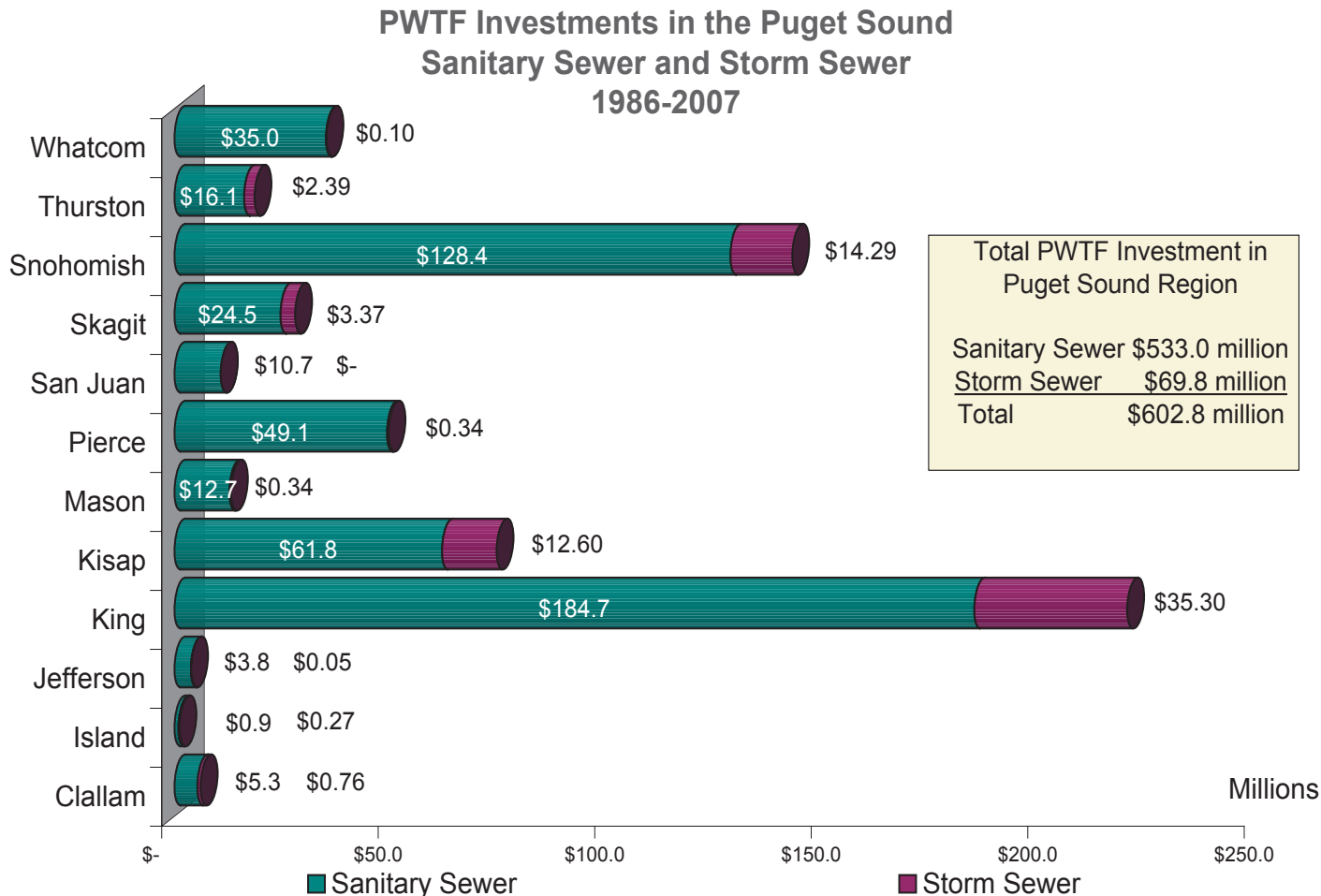
Puget Sound, its shorelines, and surrounding lands that support it are essential to the region's identity, economy and quality of life. A healthy Puget Sound is important today and for future generations.

Citizens, businesses, private organizations, government agencies, and tribes have taken many actions over the years to address some of the most critical concerns. With an increasing population, additional stress is placed on Puget Sound. To fully protect the Sound and our environment, more investments will be required in the areas of wastewater and storm water.

The Puget Sound touches 12 counties: Clallam, Island, Jefferson, King, Kitsap, Pierce, San Juan, Snohomish, Skagit, Thurston, and Whatcom. Local governments using the Public Works Trust Fund have invested \$602.8 million in the Puget Sound area since the beginning of the program. As the figure shows below, the Board has been investing significantly in the communities that impact the Puget Sound. The figure shows the dollars invested by county for storm sewer (water retention) and sanitary sewer only.

"Cleaning up and protecting Puget Sound must be at the top of the state agenda. It's critical to our economy, to fish and wildlife, and to the legacy we leave future generations."

- Governor Christine Gregoire

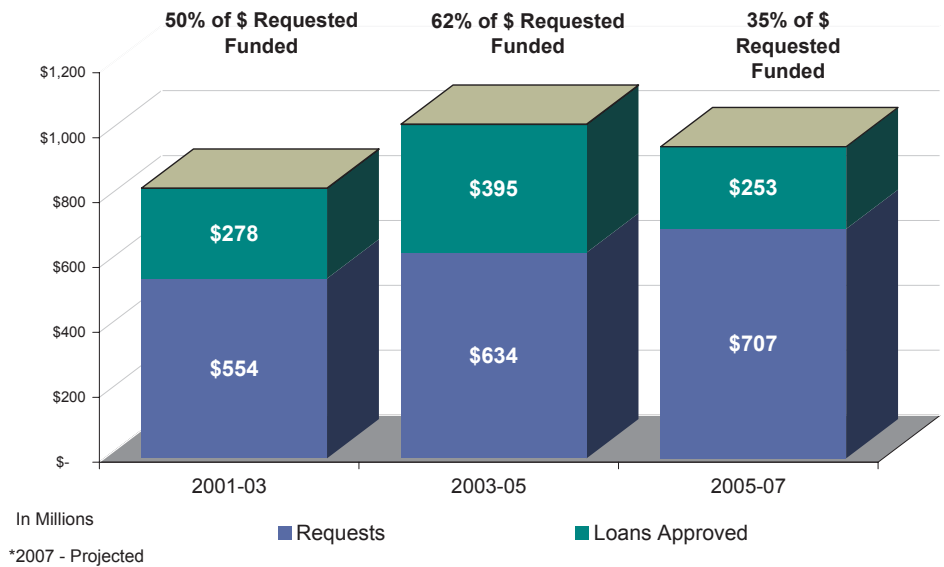


# Escalating Project Costs

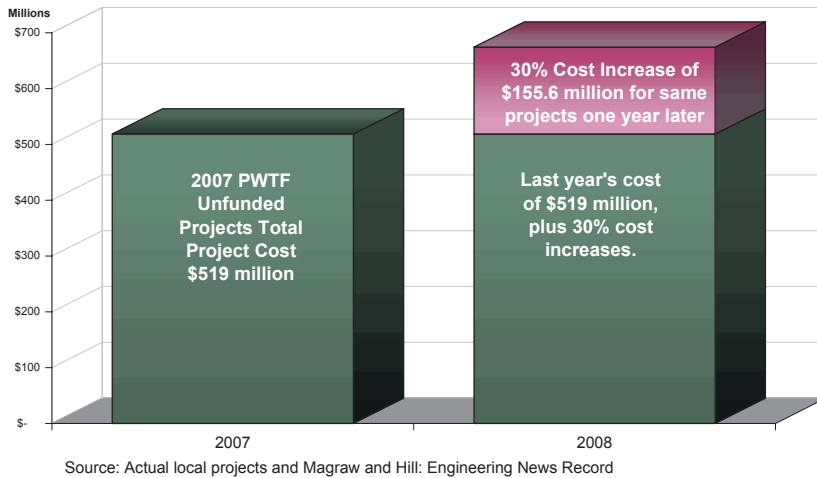
When the PWTF was created, there was a \$4 billion unmet need for financing of critical infrastructure. In spite of the large investment of PWTF dollars, the need is still growing. Over the next five years there is a \$14.6 billion projected need for financing critical infrastructure.

As new standards are imposed, components wear out, the population grows, and service expands, the need to replace and enhance infrastructure at the local level will continue to outpace current financing options available to local governments.

## Loans Requested and Approved



## 2007 PWTF Unfunded Projects and Costs One Year Later



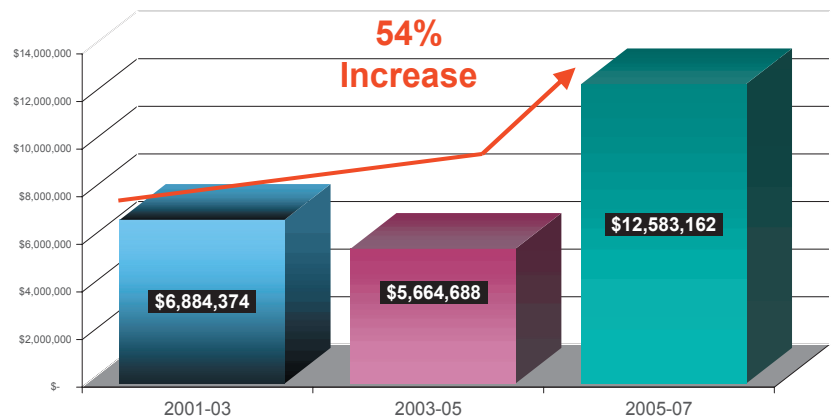
In the last three biennia, the Board has been able to fund an average of 49 percent of the applications received. Many of the projects not funded will wait until the next funding cycle. Applications will be resubmitted until funding is secured. For each construction cycle missed, the cost of the project increases an average of 30 percent. Over the past year, construction bids have increased by 34 percent overall. The following are examples of material cost increases that can range as high as:

- concrete and cement are up by 35%
- steel is up by 49%
- asphalt is up by 33%
- pipes are up by 10 to 15%
- and right-of-way costs are up by 20 to 25%

Over the last same three biennia, the total cost of projects has increased approximately 54 percent. This increase presents a significant challenge to local governments that must find the resources needed to complete their projects.

Local governments whose critical infrastructure projects the Board was unable to fund because of insufficient resources will face the difficult challenge of finding other ways to finance them.

## Average Total Project Cost 2001-03 biennium - 2005-07 biennium



# Public Works Assistance Account (PWAA)

The Public Works Assistance Account was established by the Legislature to create a reliable and sustainable resource for local governments to meet critical infrastructure financing needs, and encourage self-reliance at the local level. They did this by dedicating four revenue sources to the fund:

- Water and sewer utilities tax,
- Garbage tax,
- Solid waste collection tax, and
- Real Estate Excise Tax (REET)

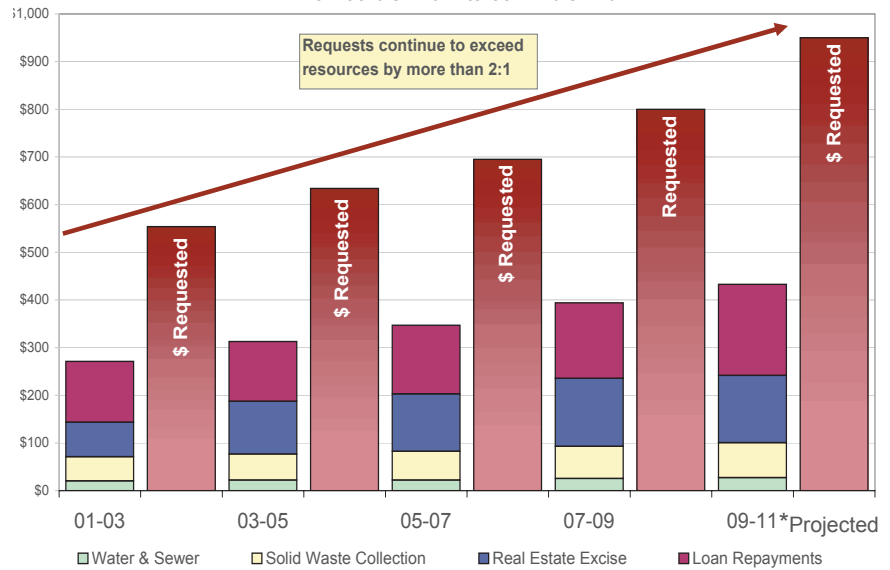
The figure to the right demonstrates each of the revenue sources historically.

As we look to the future, the PWAA is expected to remain flat or grow at a reduced rate over the next six years. This is due to a \$75 million appropriation in the 2005-2007 biennium for other Legislative priorities, and an additional \$50 million for the Job Development Fund Program in the 2007-09 biennium. Also, the Board funds loans, not grants, and as a result has grown the fund with loan repayments. The figure to the above right shows the significant increase in loan repayments, to almost 50 percent of the revenue stream.

The Board has taken their stewardship of the PWAA very seriously, and managed it in a fiscally responsible manner. They did this by:

- Investing \$2 billion in PWTF loans to local governments, as appropriated by the Legislature
- Leveraging other federal, state, and local resources (\$1.9 billion)
- Allocating resources within statutory limits utilizing the Accelerated Loan Commitment Model (ALCM) (\$265.3 million)
- Providing match funds for a federal program, which captured \$180 million in federal funds for the Drinking Water State Revolving Fund.

Public Works Assistance Account Revenue  
01-03 biennium to 09-11 biennium

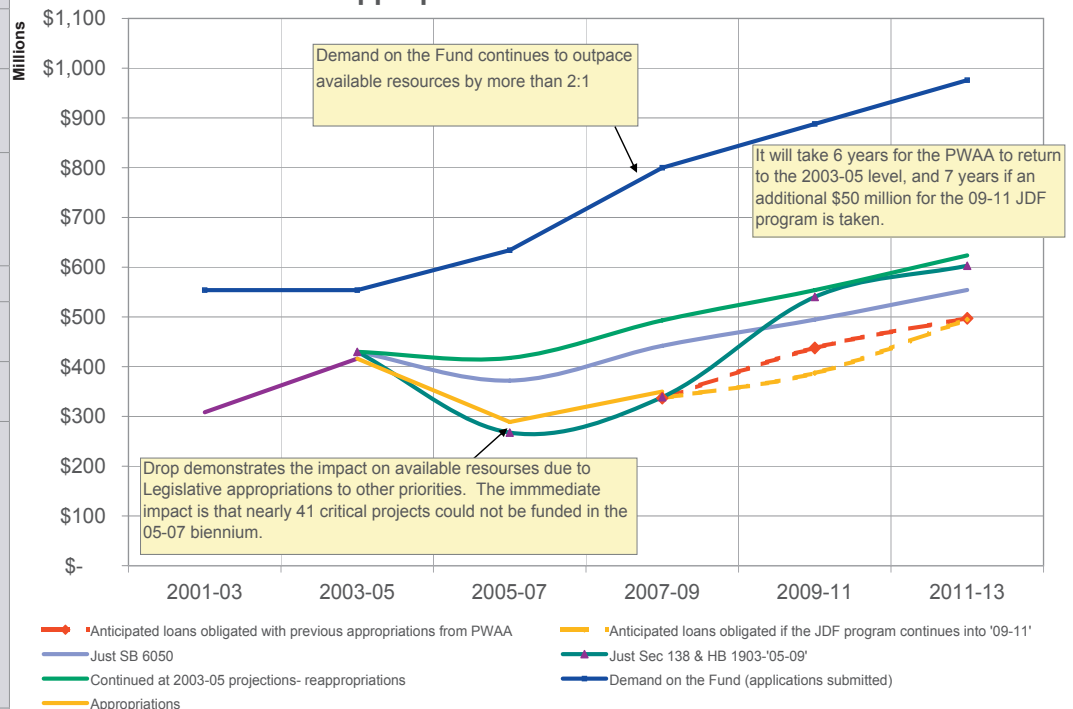


*It is unlikely that the Board will be able to accelerate its loans in the upcoming years to augment PWAA revenue. Changes in the fund appropriations have made it necessary to let the fund "rest." It will take six years for the fund to return to the 03-05 level, and an additional year if the Job Development Fund program is funded from the PWAA for the 2009-11 biennium.*

Table 1: History of Appropriations from the PWAA

<b>1989:</b>	• Garbage Tax repealed
<b>1992:</b>	• Interest earnings redirected to the State General Fund
<b>1993:</b>	• \$4 million to DOE - Flood control • \$35 million to the State General Fund • \$4 million to CERB
<b>1995:</b>	• \$3 million to GMA-Environmental Review • \$10 million to DOE - Flood control • \$4 million to CERB
<b>1997:</b>	• \$4 million to CERB
<b>1999:</b>	• \$10.45 million to DOE - Centennial Fund
<b>2001:</b>	• \$20 million to CERB • \$5.7 million to Ilwaco
<b>2005:</b>	• \$50 million to Section 138 05-07 Capital budget - Capital Projects • REET revenue reduced 21% from 7.7 to 6.1% (this will be an approximate reduction of between \$20-\$25 million per biennium) • \$4.5 million to CERB • \$236,000 for Small Communities Initiative • \$200,000 for an infrastructure-financing inventory for OFM
<b>2007:</b>	• \$50 million for the Job Development Fund Program for the 2007-09 biennium

Long-term Impact of the Appropriations from the PWAA



Demand was based on historical data from 1997-2007, and then projected out to 2015

# 2007 PWTF Recommended Loan List

On August 16, 2006, the Board recommended 19 projects totaling \$71 million out of \$234.7 in requests. The Board estimates it could have funded 14 additional projects if there had been an additional \$50 million available (based on an average loan request of \$3.6). This is the 22<sup>nd</sup> year the Board has submitted its annual loan list for legislative action.

What happens to projects not funded? Many will seek alternative funding options, some projects will be delayed, and as a result, will cost more. The technology and complexity of the projects today, and the regulatory requirements placed on them, have increased costs of the infrastructure projects by nine times since the inception of the PWAA in 1985.



Grand Coulee City Council loan payoff  
October 2006

## Increasing cost of PWTF construction projects Average PWTF Loans over time

Total \$ obligated	# of projects funded	Average project cost
1986 - \$17 million	40 projects	\$0.4 million
2007 - \$71 million	19 projects	\$3.7 million

## 2007 Recommended Projects - in Ranked Order

Jurisdiction	County	Project Name	Project Type	Leg District	Loan Request	Other Funds	Total Project Cost
Port Angeles	Clallam	Francis Street Sewer Main	Sewer	24	\$1,875,000	\$1,025,000	\$2,900,000
Bremerton	Kitsap	Anderson Cove Sewage Pump Station CWW-1	Sewer	35	\$675,000	\$680,000	\$1,355,000
Blaine	Whatcom	Lighthouse Point Water Reclamation Facility	Sewer	42	\$7,000,000	\$27,417,000	\$34,417,000
Bremerton	Kitsap	Combined Sewer WWTP Upgrade	Sewer	35	\$3,000,000	\$2,946,000	\$5,946,000
Bremerton	Kitsap	Sheldon Boulevard Sewer Interceptor	Sewer	35	\$300,000	\$16,000	\$316,000
Snohomish	Snohomish	Cemetery Creek Trunk Sewer	Sewer	21	\$7,000,000	\$8,844,684	\$15,844,684
Friday Harbor	San Juan	Relocation-Submarine Sewer Interceptor Line	Sewer	40	\$4,378,000	\$1,600,000	\$5,978,000
Grays Harbor Co. WD#1	Grays Harbor	Water System Rehabilitation Project	Water	19	\$6,717,575	\$747,000	\$7,465,575
Walla Walla	Walla Walla	Wastewater Improvements Phase 3	Sewer	18	\$6,856,875	\$761,875	\$7,618,750
Toppenish	Yakima	Wastewater Treatment Plant Upgrade	Sewer	16	\$7,000,000	\$4,764,000	\$11,764,000
Chelan County	Chelan	919 Pressure Zone Improvements	Water	12	\$5,267,000	\$930,000	\$6,197,000
Lake Stevens	Snohomish	Sunnyside Wastewater Treatment Plant	Sewer	44	\$7,000,000	\$41,267,700	\$48,267,700
Yakima	Yakima	Replace Chlorine Gas w/UV Disinfection	Sewer	14	\$2,300,000	\$405,882	\$2,705,882
Airway Heights	Spokane	Reclamation and Recharge Project	Sewer	7	\$7,000,000	\$21,856,000	\$28,856,000
East Wenatchee	Douglas	Baker Flats Industrial Area Reservoir Storage	Water	12	\$2,772,700	\$489,300	\$3,262,000
Cross Valley	Snohomish	Lowell-Larimer Road Water Supply Project	Water	1	\$532,525	\$93,975	\$626,500
Annapolis Water	Kitsap	Salmonberry Reservoir Painting and Repair	Water	26	\$595,000	\$105,000	\$700,000
Mattawa	Grant	Biosolids Processing Improvements	Sewer	13	\$465,585	\$24,505	\$490,090
Cowlitz County	Cowlitz	Water Systems Reservoir Coating	Water	19	\$340,000	\$60,000	\$400,000
<b>Totals</b>					<b>\$71,075,260</b>	<b>\$114,033,921</b>	<b>\$185,110,181</b>

For more information, contact:

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Kelly Snyder, Executive Director, (360) 586-4130, [kelly.snyder@pwb.wa.gov](mailto:kelly.snyder@pwb.wa.gov)

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